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ABSTRACT

Resources that are available to colleges and universities and the mode by which trustees can manage them are described. Resources of any type of college or university can be organized into the following four categories: funds; land, facilities and equipment; support staff; and faculty. It is maintained that resources cannot be managed without reference to the instructional programs and students. The board provides policy guidance for the task of allocating resources among programs that reflect the institution's objectives. The trustees' function of reviewing and approving the budget is complicated by the need to fully understand the internal workings of the college and the fact that a large portion of the budget is for continuing obligations and other locked-in commitments. Trustees may feel that it is important to examine the underlying policies that account for the advance commitment of resources, and they can benefit from an information system that provides a regular flow of organized data. (SW)

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Trustees and Resource Management

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Trustees and Resource Management

This brief discussion is limited to two basic tasks. The first is simply to identify and describe the resources available to the college or university. What are they and what are their peculiar characteristics? The second task is to describe the mode by which trustees can manage resources.

The verb "to manage" triggers a warning that a distinct delineation of the roles of the administration, on the one hand, and the trustees, on the other, is crucial to the operation of the institution. Another way of stating this second task is: What are the *policy* issues in resource management and how is the policy role of the trustees to be exercised?

Identifying and describing the resources

Resources of the college or university—large or small, private or public—can be organized, for conceptual convenience, in four categories: funds; land, facilities and equipment; support staff, and faculty.

The funds—the necessary financial resources—typically include current funds (restricted and unrestricted), loan funds, endowment funds, annuity and life income funds, plant funds and agency funds. When we refer to the budget, we are usually talking about an estimate, for this year or next year, of current fund revenues and expenditures.

The second category—land, facilities and equipment—includes all the inanimate objects that are necessary for the operation of the institution: the campus grounds; classrooms and laboratories; dormitories; faculty housing; pencils, paper and chalk; computers; test tubes and microscopes; trucks and lawnmowers.

By the support staff we mean everyone who works for the institution except the faculty. That includes the groundskeepers, the clerks in the business office, the librarians and—yes—the president. They are all support staff because in one way or another—whether cutting the grass, keeping the books of account, answering reference questions in the library or acting as chief executive—the sole justification for their existence is to help provide the conditions under which teaching and learning can best take place.

The fourth category is faculty. Although mentioned last, it is actually the most important, for it deals most directly with the essence of the institution. Some members of the faculty may not like to think of themselves as a resource, because that is not *all* that they are. But it would not make sense, in any discussion of resources, to leave out the most crucial element.

Values that aren't dollars

Funds, then, are not the *sole* resource, although such a notion might arise from observing the nearly exclusive attention given to money matters by many boards of trustees. Because money is, after all, a medium of exchange, it may appear at first that other resources can readily be converted into funds, and thus the justification for such exclusive attention, but consider:

- A university has built a dormitory complex which cost $3.5 million in 1968. The dormitory complex is no longer needed and it is not readily convertible to another use—at least not without major additional expenditure, and it already carriers a heavy load of debt. Who will pay the university $3.5 million *now* to take this structure off its hands?

- A college has a tenured professor who is no longer very productive. His teaching is uninspired and he does not produce anything much admired by his colleagues when he turns to writing. His salary is $20,000 and he has 12 years to go to retirement. The dean and the chairman of the department would gladly trade him in for two young instructors at $10,000 each. But it can't be done—he's tenured.

- An institution accepted a restricted gift of $500,000, the income of which—currently about $25,000 per year—is to be used solely for the support of its Oriental museum. The museum requires a great deal more than $25,000 a year to operate and the president doesn't see how the university can afford to keep it going. The donor, who is still living, is not prepared to add to his gift and is also adamant about maintaining the restriction. At the moment, the matter has reached an impasse; it looks as if the institution will either have to continue to use its own funds to help support the museum, or forego the use of the restricted gift income.

There is no need to labor the point. Certain resources are not readily translatable into dollars, and even within the fund category, restrictions may limit the options of management. It follows that if trustees are to give attention to resources they must not limit their scrutiny to the current operating budget.

Programs and students

It is not sufficient, however, to say that resource management in the university involves four categories and that trustees must devote equal attention to all four. The trustee must consider what the resources are to be organized to achieve and how well they are managed for that purpose.

It follows that in addition to the four resource categories two other categories must be introduced. These two are programs and students. The task of managing a college or university may be described as: Organizing and allocating *resources*: funds, land, facilities and equipment, support staff, and faculty—among *programs* for the benefit of *students*.

This is, of course, a simplification. If the purpose of the institution is to impart knowledge, skills and understanding through teaching, then the student's learning is the final test. Where the institution has a major commitment to research—the discovery and verification of new knowledge—or public service—the utilization of knowledge in the society at large—there are other factors to be taken into account. We have chosen the simpler case because instruction is the major function of the vast majority of higher education institutions in the country.

Programs and students are inextricably caught up in each other. Since instruction is the purpose, academic programs cannot be devised or *ought not* to be devised, without consideration of the capabilities, interests and attainments of the students who are to benefit from the programs. Conversely, student selection in the admissions process ought to assure that those who are accepted are prepared to benefit from the programs available.

Our main concern here is to show that resources cannot be managed—whether by the administration *or* the trustees—except by reference to a purpose or set of purposes—and these purposes are embodied in programs and students. Thus if trustees are to be concerned with the management of resources they must inevitably become involved in program matters, questions of student selection and academic standards.

So this simple analysis carries a very long way: Trustees cannot simply focus their attention on the budget and the investment of funds. Scrutiny of the

budget will be an uninformed exercise in the absence of an understanding of the programs which the budget supports, the students for whom the programs exist, and the nonfinancial resources which can only partially be translated into monetary terms.

Budgets and policies

How can trustees effectively do their part in managing the institution's resources? The finance or budget committee of a college or university board can perform an important function by testing the soundness of the revenue projections:

- How well-grounded are the enrollment estimates on which tuition receipts are based?
- Is the budgeted increase in gift income simply a "plug" figure to make the budget look balanced or is it achievable, considering the recent record and the specific fundraising plans for the coming year?
- How firmly based are the projected revenues from government and foundation grants? To what extent do they represent commitments, and to what extent "sky-writing?"

Similarly, careful review of the expenditure side of the budget is, of course, required. This may be a frustrating exercise for most trustees—and for three reasons:

First, they do not have a full enough knowledge of the internal workings of the college to ask good questions or to evaluate the answers.

Second, a very large portion of the budget is for continuing obligations, such as the annual cost of debt service on construction and the portion of the instructional budget that goes to pay the salaries and benefits of tenured faculty.

Third, another large portion of the budget is for items that, although they do not represent long-term obligations, are nevertheless beyond reach, because decisions about them have been made and announced prior to the time that the budget comes to the board or to its finance committee. A common case in point is the notice requirements for non-renewal of faculty contracts; at many institutions that notice date has passed by the time the budget reaches the board for action. A similar situation frequently exists with respect to the student financial aid budget.

As a result the board's budget review committee may recommend to the full board the adoption of the proposed budget but with a plaintive accompanying remark that "we don't really have much choice concerning a major portion of the expenditures—we find that we are already committed and there isn't much we can do about it."

Why a board has to look beyond the current budget

But is it really so? Perhaps that situation explains something about the way boards of trustees operate. In general, if trustees spent more time thinking through the policies that create the conditions referred to, they might be less fretful about the consequences of those policies. If they concentrate their attention exclusively on the annual budget and on current investments, they will be failing to decide those basic policies which are the controlling factors in the construction of the budget.

What is the institution's policy on student aid? Who developed the policy? In many institutions the student aid policy is made in the financial aid and admissions offices. Yet unfunded student aid—that is, aid which has to be provided out of the general revenues of the institution—is a chief source of deficits at many colleges and universities.

Also the decisions as to whom aid is to be given have a marked effect on the socio-economic makeup of the student body and thus on the educa-

tional mission of the institution. An admissions policy cannot be administered without a complementary financial aid policy.

So financial aid to students is one of the most significant policy issues faced by a college or university. To whom? How much? From what sources? Yet many boards of trustees leave this matter—*policy* as well as administration—entirely in the hands of faculty and staff.

The library exists to support instruction and research. Given the increasing rate at which monographs and serials are published here and abroad, and the rapidly rising cost of books and subscriptions, some very difficult choices face colleges and universities concerning what they should acquire, catalog and keep. Trustees certainly have no competence to select titles; typically they are not likely to be able to formulate an acquisitions policy either. But they should require that a library policy be formulated; they should review it and they should act upon it.

A library policy should address such issues as: its function (whether to support instruction alone, or if research also, in what fields and to what extent); its services; its arrangements for obtaining and sharing resources with other libraries; its archival role, if any; the role of faculty in title selection; the availability of the collection—open stacks, reserve shelves, circulation policy; etc. Within the context of such a policy the trustees will be better able to determine whether the library is receiving an appropriate share of the institution's resources.

These examples—student aid and the library—are just two of a dozen or more significant aspects of resource management that frequently lack policy attention or guidance from the trustees. Other typical examples include personnel policies, admissions standards, faculty workload.

Trustees may feel uneasy at the thought of taking up such matters as faculty workload or library policy. That is a healthy reaction. Should trustees walk in where administrators fear to tread? The art of trusteeship consists largely of holding the middle ground of policy-making—between rubber-stamping and meddling in administration. Trustees should be dealing most of the time with fundamental policy questions. Then the primary task becomes one of defining the policy issues and determining at what level they should be attacked by the board.

Guidelines on information

There are at least two essential conditions for the effective performance of the policy role of the trustees. The first is the ability to formulate issues in policy terms appropriate for trustee action. The second is adequate information on which to base policy decisions.

Most trustees have complained more than once about the lack of appropriate information: either they cannot get the information they need or they are overpowered by so much data that they cannot dig out what is necessary. Following are some guidelines for the kind of information boards should receive and how it can be presented effectively:

First, information should be provided regularly and systematically in each of the four resource categories. The data should be aggregated at a level that is appropriate for policy deliberation (for example, salary scales and ranges for faculty, not salaries of individual faculty members).

Second, similar information is also essential on programs and students.

Third, the organization of such information in a systematic fashion is termed a management information system. Any such system must be defined with the needs of the trustees in mind as well as the requirements of the president, the vice presidents, the deans and the department heads.

Fourth, such a management information system can be implemented in stages, and important parts of it can even be accomplished manually in many institutions. (For example, in an institution with a faculty of 100 or 150,

data can be gathered manually for a chart or graph showing a projection five years out of the distribution of faculty, tenured and non-tenured, by rank, assuming no change in existing policies. Such a display can be invaluable in a policy discussion on tenure; the information is not dependent upon a computer or any elaborate systems development.)

Fifth, the regular provision to the trustees of properly organized data helps the trustees to learn their role while informing them about the institution. It helps them ask the right questions—what should our tenure policy be?—and diverts attention from the wrong questions—why didn't X get tenure last year?

Summary

The resources of the college or university can be organized in four categories: funds; land, facilities and equipment; support staff; faculty. In each category there are important policy issues requiring trustee action. Policy can be developed intelligently, only when the objectives of the institution are clearly understood, and these are embodied in programs which exist for the benefit of students.

College management, then, is the task of allocating in the best possible fashion the available resources among programs which reflect the institution's objectives. The board's job is to provide policy guidance for that task.

The customary trustee function of reviewing and approving the budget is an important one. Since budgeting is an allocation process, it requires a thorough understanding of those activities for the sake of which the funds have been assembled.

The experienced trustee knows, furthermore, that a substantial portion of the annual budget is "locked in"; it goes for commitments already made that are virtually irrevocable, such as for debt service on construction or salaries for tenured members of the faculty. This fact should encourage trustees to identify and examine the underlying policies which account for the advance commitment of such a substantial portion of the resources. They may decide to reaffirm those policies, but the policies should not continue unexamined.

The trustees' role then is a difficult one. It requires the capacity to identify, formulate and resolve the policy issues. It also requires a fund of well-organized information. The management information system should be designed to serve the information needs of the trustees as well as those of the administration. A regular flow of properly organized data will not only keep the board well-informed about the institution, but it will keep them asking the right questions.

It should be noted in conclusion, that according to Jacques Barzun, for many years dean of faculties and provost at Columbia University, one resource has been omitted from this discussion—the institution's *reputation.* A shining reputation is perhaps the most important resource of all.

A college reputation is made up of many things—the excellence of the faculty, the quality of the students, the integrity of its instructional programs and its academic standards, perhaps even its endowment and the appearance of its campus. The trustee holds *all* of these in trust.

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